

Testimony of Thomas B. Cooke before the IRS Oversight Board

**January 27, 2003
Washington, DC**

Thank you for the opportunity to offer testimony today on a very important subject: workforce empowerment.

For the past twenty five years I have had the privilege to serve as an instructor in the field of business law and federal taxation at Georgetown University.

Today, I hold the position as a distinguished teaching professor in the Robert C. McDonough School of Business. In addition to my work at Georgetown, I am the Executive Director of NSTP – The National Society of Tax Professionals, Editor of a monthly publication called The Federal Tax Alert and I write a Tax Client Newsletter.

My educational background includes three law degrees from the Georgetown University Law Center – the most recent degree being a Master of Laws in Taxation.

During the fall of each year, I have the opportunity to travel around the United States and lecture to tax professionals in what NSTP calls its annual Fall Tax Update Seminars. From October to December 2002, I visited 26 cities and reviewed a variety of issues with CPAs, EAs and other tax professionals. The educational programs offered by NSTP are approved by the National Association of the State Boards of Accountancy and the IRS.

During 2002, the IRS offered me an opportunity to address the attendees at the Nationwide Tax Forums. My presentation centered on the Education Law Changes. An outline of the presentation is attached to this written testimony. NSTP was the only national tax association that agreed to teach for free at each of the 2002 Tax Forums.

IRS Workforce Empowerment

In my brief comments today, I have elected to address a few of the “best practices” that the private sector can offer the tax system. I have limited my suggestions to four simple ideas to bring about improvement.

It is frequently stated that “attitude” is number one when it comes to a competent and well managed workforce. IRS employees, at all levels, need to be recognized as professionals. We need to get beyond the notion that it’s them versus us. We are in this “system” together and as such must understand and appreciate the role that each of us plays. From time to time we may, by necessity, be on opposite sides of an issue. More often than not we share something in common – get it right, be fair and be respectful.

Suggestion # 1

I would like to see the IRS reward employees by allowing them to attend seminars and events sponsored by the private sector. There are four national tax associations and I am certain that each would enjoy the opportunity to network with the “insiders” and learn from each other.

The Taxpayer Advocate Service and Taxpayer Education and Communication (TEC) represent two outstanding opportunities for tax professionals to draw on the government sector for assistance. NSTP has taken advantage of the opportunities made available by these outstanding groups. I want to recognize the contributions of Joyce Johnson, Senior Program Analyst at TEC. As one of the “insiders,” Joyce goes out of her way to see what the private sector has planned and how TEC can serve our needs.

My point here is that the associations are in a position to give something back. For example, NSTP could award scholarships to IRS employees who would be allowed to attend the Society’s seminars, tax roundtables, conventions, etc. Since NSTP’s educational programs are offered all over the country, the opportunities are extensive. NSTP would view this project as part of our mission of service to the system and the profession.

Suggestion # 2

The IRS should consider the merits of offering in-house “special topics” seminars with instruction provided by the national tax associations. There is a wealth of talent from the private sector that needs to be taken advantage of.

Suggestion # 3

IRS instructors should be encouraged to attend seminars offered by the private sector. Instructors benefit by observing the teaching style and techniques utilized by other instructors. Individual presentation skills are likely to improve by this undertaking. The commitment of IRS employee time will produce an immediate benefit to the IRS. The benefit: improved presentation skills.

Suggestion # 4

The IRS should consider the merits of appointing someone to coordinate internal and external IRS employee professional education. The individual would act as the point of contact to develop a list of available resources and opportunities. Eligibility criteria would need to be established and the success of the program monitored.

Conclusion

There is no question that a satisfied employee is a better employee. IRS employees win when they are exposed to the outside world. The tax professional community wins when

we are exposed to the IRS. This is a win-win situation. The IRS needs to take advantage of opportunities that currently exist and ones that can be developed.

On Another Topic

Please permit me to share some brief thoughts on a topic of concern to the tax professional community.

In my opinion, the IRS-tax software industry coalition is a mistake and the project, while it may be well intended, has the potential to create more harm than good.

We are all concerned with the issue of tax fraud. The last thing that anyone of us wants to do is to create a mechanism that encourages or rewards fraudulent behavior.

Free tax software coupled with free electronic filing sponsored by the IRS and supported by the IRS is an accident waiting to happen.

The best tax return is one that has been reviewed and filed by a tax professional. The system should be encouraging the use of tax professionals and not establishing a system that discourages such.

Is the IRS-tax software coalition a form of competition with tax professionals? For many tax professionals the answer is probably no but for others this is an indirect form of competition.

Tax professionals were under the impression that we had entered into an informal partnership with the IRS – we would both encourage the use of electronic filing. Significant progress was and is being made. Participation at the annual Nationwide Tax Forums solid evidence.

The IRS is under pressure from Congress to reach the 80% e-file goal. The solution to reaching the goal is and was obvious. Working with and not around the tax professional community is the answer.

The IRS Oversight Board would go a long way by encouraging Congress and the President to support the creation of a deduction above-the-line or a refundable credit for electronic filing. The filing of an accurate tax return would go a long way to covering the loss of tax revenue from a new deduction or credit.¹

Free tax software and free electronic filing poses a threat to the tax professional community. I can report to you today that many tax professionals believe that the IRS is now entering into dangerous territory – competing in the tax preparation business.

¹ I would respectfully suggest that once a taxpayer electronically files a tax return, they become a customer for life. The financial incentive (deduction or credit) could be available for a limited number of years.

Free tax software sends the wrong message to taxpayers – the system is simple, just fill in some numbers, anybody can do it, why pay to have your tax return done when an Internet site, supported by the IRS, offers the service for free.

Taxpayers who are directed to the website will likely miss out of available tax benefits. How fair is that? I can see it now – returns rejected, returns identified as having errors, amended returns being filed. The level of potential taxpayer frustration will be interesting to monitor. Where does a frustrated taxpayer go?

Exactly who does the “coalition” see as their likely candidate? Who will guard the taxpayer’s privacy? Is the “coalition” in compliance with the federal privacy laws? Who will have access to and potentially profit from the taxpayer’s data? Will members of the tax software industry have an opportunity to “profit” from the IRS sponsored project? Will eligible taxpayers be informed of the opportunity to obtain a Refund Anticipation Loan (RAL)? If the answer is yes, who gets to profit by the RAL? If the answer is no, how fair is that to eligible taxpayers?

Time does not allow me to share with you all of the concerns that have been expressed to me since the “coalition” was announced just months ago.

In my opinion, the plan was ill conceived, poorly timed and poorly vented with the tax professional community. If this issue had been raised at any of the 2002 Nationwide Tax Forums the obvious concerns could have been addressed and perhaps resolved. Why wasn’t the issue placed on the 2002 agenda? The journey to encouraging electronic filing has taken a turn down the wrong road. It’s time to stop and consider where we are heading and how “we” can successfully get there.

Cooperation and not competition with the tax professional community will go a long way. Concern for what is in the best interest of taxpayers should be everyone’s top priority.

Thank you for this opportunity.